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24 October 1958

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CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

I. THE COMMUNIST BLOC

USSR-UAR: Khrushchev has announced that the USSR will grant the UAR a loan of \$100,000,000 (computed at the official rate of four rubles to one dollar) to aid in building a high dam. The loan, made at the UAR's request, is for the first section of the \$500,000,000 Aswan dam which Cairo recently stated it would soon begin to construct with its own funds. In 1956, Moscow was reluctant to become involved in this costly long-run project, which it apparently considered at that time to be ill-conceived. Now, however, Moscow may hope that this dramatic move will increase the UAR's dependence on the USSR and at the same time alleviate reported differences.

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USSR-Satellites: The USSR has decided to dissolve its system of military advisers in the satellites,

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These advisers, stationed at all levels from the ministries of defense down to divisional level or lower, were responsible for training and assuring ultimate Soviet control of the satellite armed forces. The USSR now may feel that the East European armed forces have made sufficient progress in military training not to require close supervision. In Moscow's view, control can probably be exercised through the Warsaw Pact mechanism and by other means.

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USSR: Important changes in the collective farm system may soon be made, perhaps at the 21st party congress in January or at a Collective Farmers' Congress scheduled for early 1959. One change would be a wider adoption of

guaranteed monthly cash wages. This would greatly facilitate the calculation of profit and loss, improve morale, and constitute another step in reducing the difference between state and collective farms. 25X1

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II. ASIA-AFRICA

Algeria: Some extremist Algerian rebel troops are reported demoralized and in a state of virtual mutiny against the top rebel command. These troops are frustrated by military failures and dissatisfied over the softer line recently adopted by rebel political leaders in negotiations with France. Unless checked by rebel chiefs, such tendencies could lead to the formation of independent groups which would conduct guerrilla operations in Algeria and possibly Tunisia. 25X1

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OK **Cuba:** Rebel activities are interfering with the operation of US enterprises in Oriente Province, and the evacuation of some US citizens is being arranged. Two US employees of the Texas Company's refinery near Santiago were kidnaped by rebels on 20 October and held for three days. Both rebel and government forces are hampering movement in and out of the region around the US Government - owned Nicaro nickel installation in northern Oriente.

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IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

**Implications of an Increase in US-Soviet Trade. SNIE
100-8-58. 7 October 1958**

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LATE ITEM

*Taiwan Strait situation: Communist artillery resumed firing against the Chinmens at 1100 hours (Taipei time) on 24 October, according to an announcement by the Chinese Nationalist Defense Ministry. The Communists had stopped firing at 1200 hours (Taipei time) on 23 October.

On 23 October Peiping, in its first commentary on the joint communiqué issued after talks between Secretary Dulles and Chiang Kai-shek, accused the US of "playing with its aggressive plot of 'two Chinas'" and of continued "aggression against China."

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I. THE COMMUNIST BLOC

Soviet Military Advisers to Be Withdrawn From Satellites

The Soviet Ministry of Defense recently ordered the dissolution of Soviet military advisory groups in all the "People's Democracies,"

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Preparations are being made for the departure of Soviet advisers from East Germany,

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Soviet military advisers in the satellites were assigned to posts giving them control at all levels from the various national defense ministries down to divisional level or lower. Accurate figures on the number of advisers are not available, but there are believed to be several hundred in each country.

A Soviet declaration of 30 October 1956 implied that maintenance of large advisory staffs in the satellites was no longer necessary, but the Hungarian revolt probably postponed the decision to abolish the system.

The satellite armies have achieved an acceptably high degree of training in recent years, and the Warsaw Pact provides the USSR with an effective and more subtle instrument of control. The pact commander, Soviet Marshal Konev, has direct authority over his deputy commanders, who are the respective satellite defense ministers.

The Soviet decision to end the advisory system probably also reflects greater Kremlin confidence in the ability of some of the satellite regimes to deal with their internal problems. It will also remove a major source of anti-Soviet feeling among personnel of the satellite armed forces.

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USSR Airing Proposed Changes in Collective Farms

Khrushchev, Agricultural Minister Matskevich, and lesser figures have indicated in recent statements that important changes in the collective farm system may be made soon, probably in early 1959 at the 21st party congress or the third All-Union Collective Farmers' Congress.

Payment of guaranteed monthly cash wages has already been introduced experimentally on several collective farms, with favorable effects on output and worker morale. If adopted, this new method of payment would be a further step toward converting collective farms from cooperative membership groups to ordinary Soviet business enterprises operating, like the state farms, on a profit-and-loss basis. Recent decrees reorganizing machine tractor stations and establishing a single-price system for state procurement of agricultural products were major steps in this direction.

Modeling collective farms more closely after industrial enterprises would make it possible to calculate agricultural production costs on a nationwide basis for the first time in Soviet history. It would also provide the state with additional means to exert pressure on the collective farms to cut costs and increase output. The system might thus facilitate the transfer of labor from agriculture to industry.

Other possible developments in the near future include a rapid increase in purchases of individual livestock holdings by the collective farms, and the establishment of a collective farms union whereby economically stronger farms would help the weaker.

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Morale of Some Algerian Rebel Troops May Be Deteriorating

"Virtual mutiny" recently broke out among some of the troops of the rebel Algerian National Liberation Front (FLN) operating in the Algerian-Tunisian border area, [redacted]

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[redacted] other rebel elements inside Algeria are "going their own way" and are giving only nominal recognition to the top rebel command.

These developments were attributed to a strong impact made on the rebels by the increasing effectiveness of France's Morice Line--an electrified barrier which parallels much of the Algerian-Tunisian border, by De Gaulle's recent moves, and by the more receptive public attitude of rebel spokesmen toward cease-fire negotiations.

Should such a deterioration of troop morale not be met with prompt and effective action by the FLN command, it could lead to the formation of independent die-hard groups which would conduct guerrilla operations in Algeria and possibly Tunisia. This could also complicate any cease-fire negotiations with the French. In case rebel military discipline should collapse completely, some rebel elements might even act, perhaps in collusion with Cairo, to liquidate the Bourguiba government. [redacted]

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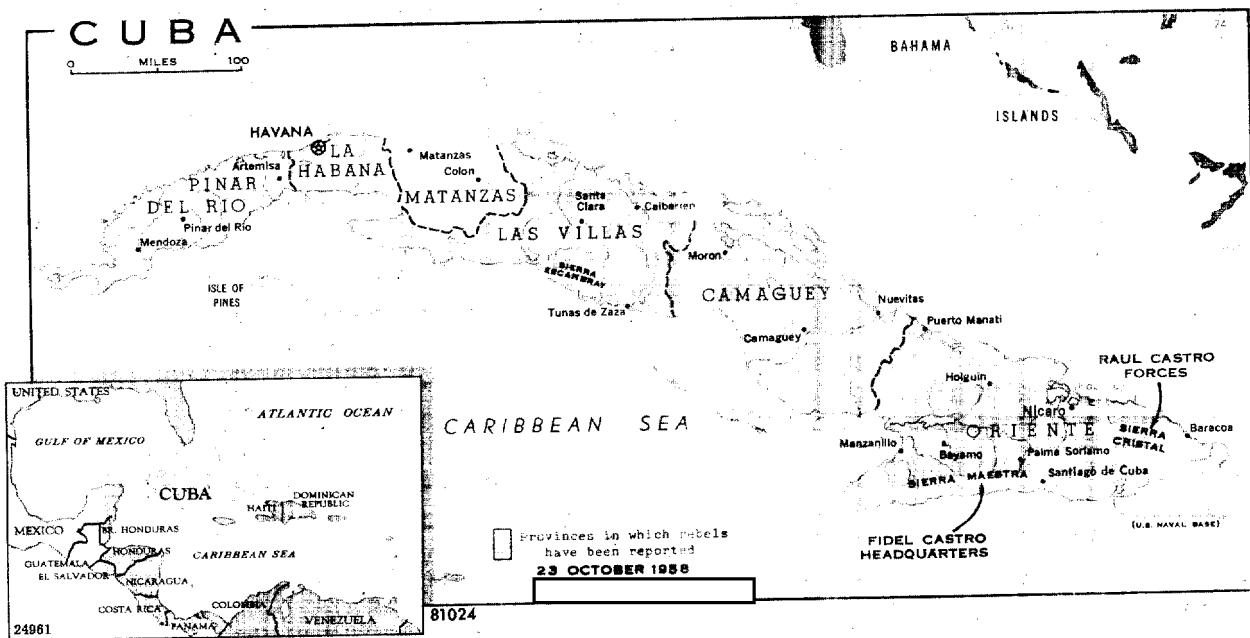
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III. THE WEST

Cuban Rebel Activities Threaten US Companies

Efforts by Cuban rebel leader Fidel Castro to disrupt the scheduled 3 November general elections are interfering with US enterprises operating in rebel-dominated Oriente Province. Arrangements are being made for the evacuation by the US Navy of some American citizens in the area. Any attempt by the Cuban Army to dislodge rebel elements near the US Government - owned Nicaro nickel installation in northern Oriente would probably lead to a major skirmish.

In southern Oriente, rebels have harassed the Texas Company's refinery outside Santiago. Two US employees, who were kidnaped along with seven Cubans on 20 October, were released on 23 October. Sabotage at the refinery and rebel-enforced blockades of the company's seven-mile highway to Santiago have seriously curtailed Texaco's operations in the area.

While rebel activities in Oriente do present a real threat to US interests there, the rebels are not believed to be directing a harassment campaign specifically against US companies. Cuban concerns have undergone similar and often worse experiences, and the rebels have threatened British interests in retaliation for a British sale of jet aircraft to Batista.

There are indications that the rebels will attempt to call a general strike on 27 October.

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